



Workers' Compensation Rates Questions and Answers

Q: What will employers pay for workers' compensation insurance in 2007?

A: The workers' compensation "pure" premium rate will decrease an average of 2.1 percent in 2007. The pure premium rate is the base rate employers pay to their insurance company for workers' compensation coverage. It reflects the actual cost of workplace injury and illness claims before insurance carriers' administrative expenses and profit are added. Although the state sets the pure premium rate, premiums do not fund state programs or services.

The 2.1 percent reduction represents an average across all types of businesses. Rates for specific businesses and industry groups may be higher or lower depending on group and individual claim experience.

Q: What other workers' compensation costs will employers pay in 2007?

A: Employers pay the workers' compensation premium assessment, which funds the state's administration of the workers' compensation system. State analysts have recommended that the workers' compensation premium assessment rate be reduced from 5.5 percent in 2006 to 4.6 percent in 2007. Employers pay the assessment based on the total premium charged to them by their insurer. Insurers collect the assessment and then transfer it to the state. Self-insured employers and employer groups will pay 4.8 percent, compared with 5.7 percent in 2006.

Employers also pay the Workers' Benefit Fund assessment, which supports certain direct benefits to injured workers. The Workers' Benefit Fund assessment will decrease from 3.0 cents per hour worked in 2006 to 2.8 cents per hour worked in 2007. Employers and employees each pay half the assessment.

Q: When do the new rates take effect?

A: The new rates will take effect Jan. 1, 2007.

Q: Why are pure premium rates going down?

A: Improved workplace safety is one of the main reasons workers' compensation insurance premiums are going down. Fewer injuries and illnesses equals fewer claims, and fewer claims equals lower costs. In Oregon, workplace injury and illness rates have declined 50 percent since 1988. Other reasons include a strong emphasis

on getting injured workers back to work faster, keeping medical costs under control, and quick resolution of workers' compensation disputes.

Q: Why are the two state assessments going down?

A: The reductions in the workers' compensation premium assessment and the Workers' Benefit Fund assessment can be attributed partly to economic growth, which increases the assessment base, and partly to administrative cost savings by DCBS, which administers the workers' compensation and workplace safety programs. Examples of efficiencies include accelerating the resolution of medical disputes, finding more efficient ways to handle hearings on vocational and benefit disputes, avoiding the need for formal hearings through better use of alternative dispute resolution, improving the collections program to recover more claim costs from non-complying employers who didn't have workers' compensation insurance, and cutting down on paperwork and forms.

Q: What is the significance of today's announcement?

A: Because of the reductions in the pure premium rate and assessments, employers will save \$44 million in workers' compensation costs in 2007. That savings helps make Oregon businesses more competitive than businesses in other states.

In addition to the cost savings to employers, workers have benefited from safer workplaces, fewer accidents, higher disability payments, better alternatives for dispute resolution, and programs that help them get back to work quickly.

Q: What is happening with worker benefits?

A: Workers benefits have improved significantly as costs have gone down. Recent changes include higher permanent partial disability benefits to workers with more serious injuries, better permanent total disability benefits, and greater protections in the independent medical exam process. Changes to return-to-work programs have made them more accessible to injured workers and their employers.

Q: What can we expect for the future?

A: Through the Management-Labor Advisory Committee, DCBS continues to work with employers and workers to monitor the system and evaluate areas of potential improvement. The department also continues to work on improving workplace safety to keep injury and illness rates down. In addition, DCBS continues to take administrative actions to reduce costs and improve system efficiency.

However, the system remains susceptible to outside pressures, such as the increasing cost of health care, which could put upward pressure on the rates.